



***Unaudited condensed interim consolidated financial
statements as of March 31, 2014***

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The ad pepper media share

Key data about ad pepper media's share

Security Identification Number (WKN)	940883
ISIN	NL0000238145
Type of share	Ordinary bearer shares
Stock market segment (Frankfurt Stock Exchange)	Prime Standard
Initial public offering	10.9.2000
Designated Sponsor	Equinet
Initial public offering	1,150,000
No. of shares	23,000,000
Sector	Advertising

Key share figures	1.1.-3.31.2014	1.1.-3.31.2013
XETRA closing price at end of period (EUR)	1.19	0.93
Highest price (EUR)	1.42	1.05
Lowest price (EUR)	1.13	0.80
Market capitalization at end of period (EUR)	27.4m	21.4m
Average no. of shares traded (XETRA) per day	33,029	25,965
Earnings per share (basic) (EUR)	-0.03	0.00
Net cash per share* (EUR)	0.87	0.64

* (liquid funds – long term debt)/number of shares outstanding

Share price performance over the past twelve months (Xetra)



Shareholder structure as of 3.31.2014

Shareholder	No. of shares	Percentage shareholding
EMA B.V.	9,486,402	41.25
Treasury stock	1,759,292	7.65
Axxion S.A.	1,163,501	5.06
Dieter Koppitz*	699,338	3.04
Euro Serve Media GmbH	436,963	1.90
Subtotal	13,545,496	58.90
Free float	9,454,504	41.10
Total	23,000,000	100.00

* On March 18, 2014 it came to our notice, that – according to the Dutch WFT – Mr. Dieter Koppitz' voting rights on ad pepper media International N.V., Amsterdam, the Netherlands, ISIN: NL0000238145, WKN: 940883, have exceeded the 3 percent limit of the Voting Rights on February 17, 2014 and on that day amounted to 3.0406 percent (this corresponds to 699,338 Voting Rights).

Structure of ad pepper media Group

The ad pepper media Group is one of the leading independent marketing networks in the field of online advertising. ad pepper media International N.V., based in Amsterdam, Netherlands, is the central management and holding company for the companies in the ad pepper media Group. With 10 companies in six European countries and the USA, ad pepper media is currently managing campaigns for thousands of national and international advertising clients in more than 50 countries. Our online advertising activities are centered around three business divisions: ad pepper media, Webgains and ad agents.

ad pepper media

The ad pepper media division offers the entire spectrum of successful display, performance and e-mail marketing. Its main products are iSense, SiteScreen, iLead, iClick and mailpepper.

iSense provides advertisers and publishers with a revolutionary semantic targeting technology enabling them to place their adverts in a targeted manner and in relevant surroundings for each website. At core, iSense consists of the patented Sense Engine™ technology and is the result of over ten years of research and development by Prof. Dr. David Crystal, one of the world's leading linguistic experts. Operating under the name SiteScreen, the technology offers advertisers maximum security for their brand, as the placement of adverts in inappropriate surroundings can be blocked.

iLead is an ideal solution for advertisers aiming to extend and expand their customer databases. It enables potential new customers that have already shown interest in the products and services offered by the advertiser and consented to being approached to be contacted by telephone, e-mail or post.

iClick is ad pepper media's performance marketing solution enabling advertisers to efficiently attract quantifiable volumes of eligible internet users to their websites.

mailpepper provides advertisers with an effective means of addressing mailing shots to very broad or highly specific target groups that have explicitly consented to being contacted via ad pepper media or the advertisers.

Webgains

is one of the leading international affiliate networks, with offices in the UK, France, Germany, Spain and the USA. What makes affiliate marketing so attractive for all participants is the way it facilitates wide coverage via a large number of websites while offering performance-related compensation. Affiliate marketing is a commission-based advertising model where website operators (affiliates) drive internet traffic to the site of advertisers (merchants) and receive a percentage of the sales generated there in return. It is not only the excellent service Webgains offers that is so convincing – in recent years it has also taken the lead by offering technological novelties on the platform, such as Voucher Management Tool, Multiple Datafeeds, Page Peel and Mobile Tracking.

ad agents

specializes in search engine marketing (SEM), search engine optimization (SEO) and performance marketing. Ad agents advises well-known companies in the mail order, travel and numerous other sectors that already have sophisticated e-commerce strategies in place and that offer goods and/or services via their websites or their internet shops. In this, ad agents help its customers to be located quickly and precisely on all standard search engines and to transform these search results into successful transactions. ad pepper media holds a 60 percent stake in ad agents.

General information about this management report

Definitions

All mentions of “ad pepper media International N.V.”, “ad pepper media”, “ad pepper media Group” or the “Group” in this management report relate to the ad pepper media Group.

Forward-Looking Statements

This management report contains forward-looking statements and information based on the beliefs of, and assumptions made by, our management using information currently available to them. We have based these forward-looking statements on our current expectations, assumptions, and projections about future conditions and events. As a result, our forward-looking statements and information are subject to uncertainties and risks, many of which are beyond our control. If one or more of these uncertainties or risks materializes, or if management’s underlying assumptions prove incorrect, our actual results could differ materially from those described in or inferred from our forward-looking statements and information. We describe these risks and uncertainties in the Risk Factors section of our annual report 2013.

The words “aim”, “anticipate”, “assume”, “believe”, “continue”, “could”, “counting on”, “is confident”, “estimate”, “expect”, “forecast”, “guidance”, “intend”, “may”, “might”, “outlook”, “plan”, “project”, “predict”, “seek”, “should”, “strategy”, “want”, “will”, “would” and similar expressions as they relate to us are intended to identify such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date specified or the date of this report. We accept no obligation to publicly update or revise any forward-looking statements as a result of new information that we receive about conditions that existed upon issuance of this report, future events, or otherwise unless we are required to do so by law.

Internal control system

Revenue and profits (EBIT, EBITDA, gross margin) are some of the parameters which ad pepper media analyses monthly and compares with the original business plan to control and monitor the development of individual subsidiaries. In addition, further key performance indicators are calculated each month for control purposes and are used within all the operating companies of the ad pepper media Group. External indicators are also regularly analyzed for company management purposes. In addition, there are weekly scheduled jour fixes as well as regular shareholder meetings with the individual subsidiaries.

Macroeconomic framework

World/Europe/Germany

In a recently published study, the Organisation for Economic Cooperation and Development (OECD) has now slightly raised its key economic data forecasts. Accordingly, growth across all 34 OECD countries is expected to amount to 2.3 percent in 2014 and should even reach 2.7 percent in 2015. For the US market, the OECD expects growth of 2.9 percent and has forecast growth of 3.4 percent for 2015.

The World Bank is even more upbeat concerning developments. Global gross domestic product is thus forecast to grow by 3.2 percent in 2014. The main reason stated by the World Bank for the improved growth outlook is the performance of industrialized economies, which in recent years still suffered from the effects of the financial and economic crisis. However, the impact of austerity programs and political uncertainty is now less severe.

For Germany, the Munich-based Ifo Institute continues to expect growth of 1.9 percent in 2014. This would be around five times the level of growth achieved in the year to date (approx. 0.4 percent). The IMF also sees signs of an improvement in the situation in the euro area. Following the negative growth of minus 0.4 percent expected for 2013, the Spanish and Greek economies are forecast to show a slight recovery once again. The euro area economy is thus set to return to positive growth, albeit only 1.0 percent, in 2014. From a current perspective, it is also difficult to predict the extent to which the conflict surrounding the Ukraine and associated sanctions might have impact on economic growth in the euro area.

Advertising market

We are convinced that brand communications via online advertising will further increase its share of the overall advertising market in the coming years. Digital advertising will thus act as a key innovation driver yet again in 2014, and that both for the overall advertising industry and for the media sector as a whole. Regardless of this, the technologization of online marketing is set to continue and numerous technological innovations will help shape the industry this year as well. The trend towards the establishment of virtual marketplaces, for example, is continuing apace.

Display advertising is thus receiving a new technical infrastructure in the form of advertising platforms to which marketers connect their sites. Agencies connect themselves with supplier platforms via so-called trading desks and proprietary procurement platforms. This way, it should be possible to reach each placement or each individual user on the internet via a single interface. Demand side platforms (DSPs) are one example here.

These are independent service providers that pool coverage for agencies and customers under one surface. The aim here is to optimize procurement prices for customers and also to simplify the relevant entries and reporting. In this, DSPs do not themselves offer advertising surfaces, but rather enable users to automatically compare prices at various online advertising marketers and marketplaces, to reach booking decisions and to take part in real-time auctions of stock (real-time bidding).

Major events

Dirk Klose is appointed as the new Group CTO of ad pepper media International N.V.

As of January 1, 2014 Dirk Klose is responsible for the strategic IT management of ad pepper media Group across all its operating locations. In his new role as Group CTO he is in charge of building a new technology organisation as well establishing an international technology strategy and product portfolio, with one of his main areas of focus being data-driven advertising.

Earnings, financial and net asset position

Earnings position

ad pepper media International N.V. generated sales of EUR 11,579k in the first quarter of 2014. This corresponds to a considerable reduction of 10.9 percent compared with the equivalent period in the previous year (Q1 2013: EUR 12,996k). While sales at the Webgains and ad agents segments grew by EUR 1,068k, or 17.0 percent, to EUR 7,352k, and by EUR 217k, or 13.7 percent, to EUR 1,806k the ad pepper media segment had to absorb a reduction in sales by EUR 2,702k (- 52.7 percent). The reduction in sales in the ad pepper media segment was due in particular to a weak start to the year in Germany. Spain and the UK, by contrast, have reported pleasing developments. It should be noted here as well that the sales reported for the previous year's quarter still include prorated sales attributable to operations since sold (Emediate ApS and Crystal Semantics Ltd) or discontinued (ad pepper media BeNeLux). Excluding this factor, the growth in sales would have amounted to 0.2 percent at the Group, and the reduction to 34 percent in the ad pepper media segment.

The gross profit, the actual performance indicator, decreased also significantly by EUR 1,604k to EUR 4,137k respectively by 27.9 percent. As a percentage of sales, our gross margin accordingly declined from 44.2 percent to 35.7 percent. This sharp reduction was also mainly due to the disposed or discontinued operations at the ad pepper media Group already referred to above. Net of this factor, the reduction in gross profit amounted to 11.4 percent. The pro forma decline in the gross margin was in turn once again chiefly due to the business performance of the ad pepper media segment in Germany falling short of expectations. Operating expenses fell sharply by 9.6 percent, or EUR 545k, to EUR 5,129k. This reduction in costs is chiefly related to the aforementioned deconsolidation items.

The disproportionate decline in the gross profit compared with the reduction in costs meant that all key profitability figures fell short of the previous year's figures. Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to EUR -936k in the first quarter of 2014 (Q1 2013: EUR 134k). Earnings before interest and taxes (EBIT) amounted to EUR -991k, as against EUR 68k in the previous year's quarter. Earnings

before taxes (EBT) amounted to EUR -687k in the first three months of the financial year (Q1 2013: EUR 106k). Net income for the period amounted to EUR -690k (Q1 2013: EUR 43k).

Financial position

The gross cash flow amounted to EUR -1,041k (Q1 2013: EUR 148k), while a figure of EUR -1,959k was reported for the cash flow from operations, as against EUR -969k in the first three months of 2013. The net cash flow from investing activities amounted to EUR 3,927k in the first three months of 2014 (Q1 2013: EUR -1,529k). The cash flow from financing activities amounted to EUR 0k in the first three months of 2014, compared with EUR 0k in the equivalent period in the previous year.

Net asset position

Total assets decreased year-on-year by EUR 2,155k to EUR 34,107k. At that trade receivables decreased to EUR 6,540k (EUR 7,071k). Trade payables decreased to EUR 7,019k (EUR 7,962k). Liquid funds (including securities measured at fair value and fixed-term deposits) dropped by EUR 1,657k to EUR 20,045k compared with December 31, 2013 (EUR 21,702k). Furthermore, ad pepper media owns a total of 1,759,292 treasury stock shares. The Group still has no liabilities to banks. The equity ratio increased to 70.3 percent (12.31.2013: 67.8 percent).

Research and development activities

The Group's research and development activities are mainly located at ad pepper media International N.V. itself (at the Hamburg location). Here, a major share of the developments for the administration and ad pepper media segments are either produced internally or commissioned externally and accompanied as appropriate.

In the Webgains segment, research and development activities are performed on a decentralized basis within Webgains Ltd.

Employees

As of March 31, 2014, the ad pepper media Group had 236 employees, as against a total of 267 employees at the end of the equivalent period in the previous year. The workforce of the ad pepper media Group is assigned to the following segments:

	3.31.2014 <i>Number</i>	3.31.2013 <i>Number</i>
<i>ad pepper media</i>	69	115
<i>Webgains</i>	90	85
<i>ad agents</i>	56	50
<i>Administration</i>	21	17

Risk and opportunity report

There have been no material changes in the opportunity and risk situation of ad pepper media International N.V. compared with the information provided in the Annual Report as of December 31, 2013. Reference is therefore made to the information presented in the management report for the 2013 financial year.

Outlook

The operating performance of the ad pepper media Group in the first three months of the financial year was largely in line with expectations. In the quarters ahead, we must now consistently press ahead with the new product development approaches that are already reflected in our costs but not yet in our sales. We currently cannot provide any reliable figures as to the extent to which these new approaches, which are located in particular in the field of data-driven business models, will impact on our income statement in the current financial year. Furthermore, past experience shows that we traditionally generate a large share of our sales in the fourth quarter.

We will therefore be focusing on improving our market position in all of our Group's core areas while at the same time keeping costs strictly under control.

Consolidated income statement (IFRS)

	Q1 2014	Q1 2013
	EUR 000s	EUR 000s
Revenues	11,579	12,996
Cost of sales	-7,442	-7,255
Gross Profit	4,137	5,741
Selling and marketing expenses	-3,291	-3,831
General and administrative expenses	-1,897	-2,240
Other operating income	265	510
Other operating expenses	-205	-112
Earnings/loss before interest and taxes	-991	68
Financial income	326	67
Financial expenses	-22	-29
Earnings/loss before taxes	-687	106
Income taxes	-3	-63
Net income/loss	-690	43
attributable to shareholders of the parent company	-693	1
attributable to non-controlling interests	3	42
Basic earnings per share on net income for the year attributable to shareholders of the parent company (EUR)	-0.03	0.00
Diluted earnings per share on net income for the year attributable to shareholders of the parent company (EUR)	-0.03	0.00
	Q1 2014	Q1 2013
	No. of shares	No. of shares
Weighted average number of shares outstanding (basic)	21,240,708	21,240,708
Weighted average number of shares outstanding (diluted)	21,641,708	21,240,708

Consolidated statement of comprehensive income (IFRS)

	Q1 2014 EUR 000s	Q1 2013 EUR 000s
Net income/loss	-690	43
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	6	-39
Revaluation of available-for-sale securities	242	61
Realized gains from available-for-sale securities	-198	0
Revaluation of investments in equity instruments available-for-sale	8	32
Income tax recognized directly in equity	0	0
Total income and expense recognized directly in equity, net of tax	58	54
Total income and expense recognized in equity	-632	97
attributable to non-controlling interests	3	42
attributable to shareholders of the parent company	-635	55

Disclosures on total income and expenses recognized directly in equity

The total income and expense recognized directly in equity and the corresponding income taxes are as follows:

	Q1 2014 EUR 000s			Q1 2013 EUR 000s		
	before income taxes	Income taxes	after income taxes	before income taxes	Income taxes	after income taxes
Currency translation differences (incl. non-controlling interests)	6	0	6	-39	0	-39
Revaluation of available-for-sale securities	242	0	242	61	0	61
Realized gains from available-for-sale securities	-198	0	-198	0	0	0
Revaluation of investments in equity instruments available-for-sale	8	0	8	32	0	32
Total income and expense recognized directly in equity	58	0	58	54	0	54

Consolidated balance sheet (IFRS)

Assets	March 31, 2014	December 31, 2013
	EUR 000s	EUR 000s
Non-current assets		
Goodwill	24	24
Intangible assets	255	261
Property, plant and equipment	226	221
Securities at fair value through profit and loss	0	3,490
Securities available-for-sale	5,185	5,326
Investments in equity instruments available-for-sale	4,511	4,503
Other financial assets	1,702	1,630
Deferred tax assets	36	35
Total non-current assets	11,939	15,490
Current assets		
Trade receivables	6,540	7,071
Income tax receivables	204	187
Prepaid expenses and other current assets	480	428
Other financial assets	84	200
Cash and cash equivalents	14,860	12,886
Total current assets	22,168	20,772
Total assets	34,107	36,262

Consolidated balance sheet (IFRS)

Equity and liabilities	March 31, 2014	December 31, 2013
	<i>EUR 000s</i>	<i>EUR 000s</i>
Equity attributable to shareholders of the parent company		
Issued capital*	1,150	1,150
Reserves	66,277	66,254
Treasury shares	-3,281	-3,281
Accumulated deficit	-41,479	-40,786
Accumulated other comprehensive gains/losses	1,060	1,002
Total	23,727	24,339
Non-controlling interests	239	236
Total equity	23,966	24,575
Current liabilities		
Trade payables	7,019	7,962
Other current liabilities	536	721
Other financial liabilities	2,482	2,869
Income tax liabilities	104	135
Total current liabilities	10,141	11,687
Total liabilities	10,141	11,687
Total equity and liabilities	34,107	36,262

* Issued capital consists of shares with a nominal value of EUR 0.05 each. The authorized capital amounts 23,429,708 shares, of which 23,000,000 are issued and 21,240,708 shares were floating at March 31, 2014 (December 31, 2013: 21,240,708).

Consolidated statement of cash flow (IFRS)

	Q1 2014	Q1 2013
	EUR 000s	EUR 000s
Net income/loss	-690	43
Adjustments to reconcile net income for the year to net cash flow used in/provided by operating activities:		
<i>Depreciation and amortization</i>	56	66
<i>Gain/loss on sale of fixed assets</i>	-3	-1
<i>Share-based compensation</i>	23	0
<i>Gain/loss on sale of securities</i>	-387	-18
<i>Other financial income and financial expenses</i>	83	-20
<i>Income taxes</i>	3	63
<i>Other non-cash expenses and income</i>	-126	15
Gross cash flow	-1,041	148
<i>Change in trade receivables</i>	657	1,959
<i>Change in other assets</i>	-138	-347
<i>Change in trade payables</i>	-943	-1,223
<i>Change in other liabilities</i>	-574	-1,502
<i>Income taxes received</i>	0	10
<i>Income taxes paid</i>	-49	-10
<i>Interest received</i>	188	2
<i>Interest paid</i>	-59	-6
Net cash flow from/used in operating activities	-1,959	-969

Consolidated statement of cash flow (IFRS)

	Q1 2014	Q1 2013
	EUR 000s	EUR 000s
Additions to intangible assets and property, plant and equipment	-70	-43
Proceeds from sale of intangible assets and property, plant and equipment	18	0
Loans granted	0	-50
Proceeds from sale of other investments	0	18
Repayment of loans granted	14	15
Proceeds from sale/maturity of securities and maturity of fixed-term deposits	6,955	563
Purchase of securities and investment in fixed-term deposits	-2,990	-2,032
Net cash flow from/used in investing activities	3,927	-1,529
Net cash flow from/used in financing activities	0	0
Effect of exchange rates on cash and cash equivalents	6	-39
Cash-effective decrease/increase in cash and cash equivalents	1,968	-2,498
Cash and cash equivalents at beginning of period	12,886	12,587
Cash and cash equivalents at end of period	14,860	10,050

Consolidated statement of changes in equity (IFRS)

	Balance at 1.1.2013	Total income and expenses recognized in equity	Share- based payment	Purchase of treasury shares	Issuance of shares	Dividens	Balance at 3.31.2013
Issued capital							
Number of shares	23,000,000						23,000,000
Issued capital (EUR 000s)	1,150						1,150
Reserves							
for employee stock option plans (EUR 000s)	2,421						2,421
from contributions of shareholders of ad pepper media International N.V. (EUR 000s)	63,782						63,782
Treasury shares							
Number of shares	1,759,292						1,759,292
Treasury shares at cost (EUR 000s)	-3,281						-3,281
Accumulated deficit (EUR 000s)	-45,754	1					-45,753
Accumulated other comprehensive income/losses							
Currency translation differences (EUR 000s)	-1,384	-39					-1,423
Unrealized gains/(losses) from available-for-sale securities (EUR 000s)	-2,028	61					-1,967
Unrealized gains/(losses) from investments in equity instruments available-for-sale (EUR 000s)	3,274	32					3,306
Equity attributable to shareholders of the parent company (EUR 000s)	18,180	55	0	0	0	0	18,235
Non-controlling interests (EUR 000s)	265	42					307
Total equity (EUR 000s)	18,445	97	0	0	0	0	18,542

Consolidated statement of changes in equity (IFRS)

	Balance at 1.1.2014	Total income and expenses recognized in equity	Share- based payment	Purchase of treasury shares	Issuance of shares	Dividends	Balance at 3.31.2014
Issued capital							
Number of shares	23,000,000						23,000,000
Issued capital (EUR 000s)	1,150						1,150
Reserves							
for employee stock option plans (EUR 000s)	2,472		23				2,495
from contributions of shareholders of ad pepper media International N.V. (EUR 000s)	63,782						63,782
Treasury shares							
Number of shares	1,759,292						1,759,292
Treasury shares at cost (EUR 000s)	-3,281						-3,281
Accumulated deficit (EUR 000s)	-40,786	-693					-41,479
Accumulated other comprehensive income/losses							
Currency translation differences (EUR 000s)	-909	6					-903
Unrealized gains/(losses) from available-for-sale securities (EUR 000s)	-1,168	44					-1,124
Unrealized gains/(losses) from investments in equity instruments available-for-sale (EUR 000s)	3,079	8					3,087
Equity attributable to shareholders of the parent company (EUR 000s)	24,339	-635	23	0	0	0	23,727
Non-controlling interests (EUR 000s)	236	3					239
Total equity (EUR 000s)	24,575	-632	23	0	0	0	23,966

Notes

Consolidated segment information (IFRS)

Q1 2014	<i>ad pepper media</i> EUR 000s	<i>Webgains</i> EUR 000s	<i>ad agents</i> EUR 000s	<i>Admin</i> EUR 000s	<i>Consolida- tion</i> EUR 000s	<i>Group</i> EUR 000s
Total Revenues	2,431	7,354	1,806	79	-91	11,579
<i>thereof external</i>	2,421	7,352	1,806	0	0	11,579
<i>thereof intersegment</i>	11	1	0	79	-91	0
Expenses	-2,763	-7,430	-1,796	-660	79	-12,570
<i>thereof amortization and depreciation</i>	-8	-17	-19	-12	0	-56
<i>thereof other non-cash expenses</i>	-16	-121	-1	-23	0	-161
EBITDA	-323	-60	28	-569	-12	-936
EBIT	-331	-77	10	-581	-12	-991
Financial income	1	0	0	328	-3	326
Financial expenses	-2	-1	-2	-20	3	-22
Income taxes						-3
Net income for the period						-690

Q1 2013	<i>ad pepper media</i> EUR 000s	<i>Webgains</i> EUR 000s	<i>ad agents</i> EUR 000s	<i>Admin</i> EUR 000s	<i>Consolida- tion</i> EUR 000s	<i>Group</i> EUR 000s
Total Revenues	5,143	6,292	1,589	177	-205	12,996
<i>thereof external</i>	5,123	6,284	1,589	0	0	12,996
<i>thereof intersegment</i>	20	8	0	177	-205	0
Expenses	-4,929	-6,351	-1,441	-384	177	-12,928
<i>thereof amortization and depreciation</i>	-30	-7	-15	-14	0	-66
<i>thereof other non-cash expenses</i>	-30	-4	-1	-7	0	-42
EBITDA	244	-52	163	-193	-28	134
EBIT	214	-59	148	-207	-28	68
Financial income	1	0	0	70	-4	67
Financial expenses	-3	-1	0	-29	4	-29
Income taxes						-63
Net income for the period						43

1. Basis for the preparation of the quarter-end financial statements

The current condensed interim consolidated financial statements of ad pepper media International N.V. were prepared according to the provisions of the International Financial Reporting Standards (IFRS) as applicable on the closing date, and are presented in euros. The comparative figures from the previous year were determined according to the same principles and adjusted where necessary. The quarter-end financial statements meet the requirements of IAS 34. The condensed consolidated interim financial statements do not include all of the information required for the full annual financial statements and should therefore be read in conjunction with the consolidated annual report for the year ended December 31, 2013.

The consolidated interim financial statements as per March 31, 2014 were authorized for issue by the Board of Directors on April 16, 2014.

2. Accounting principles

The accounting principles applied to these quarter-end financial statements do not materially differ from the principles as applied to the Annual Report as per December 31, 2013.

Since that time no standards and interpretations have been adopted.

3. Consolidated group

The entities included in consolidation are as follows:

<i>Entity</i>	<i>3.31. 2014 Percent</i>	<i>12.31. 2013 Percent</i>
<i>ad pepper media GmbH, Nuremberg, Germany</i>	<i>100</i>	<i>100</i>
<i>ad pepper media Benelux B.V., Amsterdam, the Netherlands</i>	<i>100</i>	<i>100</i>
<i>ad pepper media Denmark A/S, Copenhagen, Denmark</i>	<i>100</i>	<i>100</i>
<i>ad pepper media UK Ltd, London, United Kingdom</i>	<i>100</i>	<i>100</i>
<i>ad pepper media France S.A.R.L., Paris, France</i>	<i>100</i>	<i>100</i>
<i>ad pepper media Spain S.A., Madrid, Spain</i>	<i>100*</i>	<i>100</i>
<i>ad pepper media USA LLC, New York, USA</i>	<i>100</i>	<i>100</i>
<i>Webgains Ltd, London, United Kingdom</i>	<i>100</i>	<i>100</i>
<i>Globase International ApS, Copenhagen, Denmark</i>	<i>100</i>	<i>100</i>
<i>ad agents GmbH, Herrenberg, Germany</i>	<i>60</i>	<i>60</i>

* Subject to approval by the General Meeting of Shareholders of ad pepper media Spain S.A, Madrid, and registration with the Commercial Register, ad pepper media International N.V. sold, effective January 31, 2014 a non-controlling interest of 35 percent of the fully consolidated entity ad pepper media Spain S.A. to its Managing Director.

4. Notes to the Interim Financial Statements

Reference is basically made to the comments on the results of operations, financial position and net assets in the Interim Management Report.

The following one-off items affecting the income statement occurred in the period under review:

Financial result includes net realized gains from the sale of securities of EUR 274k (Q1 2013: EUR 19k) and unrealized net valuation gains/losses of EUR 0k (Q1 2013 EUR 23k).

The following one-off items affecting the balance sheet occurred in the period under review:

Other financial liabilities decreased by EUR 387k. This was mainly due to payments of variable remuneration elements.

Trade receivables decreased by EUR 531k, while trade payables fell by EUR 943k. This was due to the lower volume of sales in Q1 2014 compared with Q4 2013.

5. Segment reporting according to IFRS 8

IFRS 8 requires an entity to report financial and descriptive information about its so-called "reportable segments". Reportable segments are either operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity, about which separate financial information is available, that is evaluated regularly by the chief operating decision maker for the purpose of resource allocation and assessing performance.

Generally, financial information is required to be reported on the same basis as is used internally to evaluate the operating segments (management approach). The information reported to the chief operating decision maker for the purpose of resource allocation and assessment of

segment performance is focused on the category of services delivered. For this reason, the group reports segment information for the operating segments of "ad pepper media" (lead, mail, banner), "Webgains" (affiliate marketing) and "ad agents" (SEM/SEO) and for the non-operating "Admin" (administration) segment.

The accounting policies of the reportable segments corresponds to the group's accounting policies described in note [2] of the consolidated annual report for the year ended December 31, 2013.

The segment result is measured by EBIT and EBITDA for each segment without differences to IFRS. The segment result thus calculated is reported to the chief operating decision maker for the purpose of resource allocation and assessing segment performance.

The "dealing at arm's length" principle forms the basis of accounting for intersegment transaction.

Geographical information

The Group operates in four principal geographical areas – Germany, Scandinavia, Spain and the United Kingdom. The operating business in the Netherlands was discontinued as of June 30, 2013. The Group's revenue from the continued operations of the Group from business with external customers and information about the segments' assets are detailed below according to geographical location. Long-term assets do not include financial instruments or deferred tax assets:

	Revenue from external customers		Non-current assets	
	Q1 2014	Q1 2013	3.31. 2014	3.31. 2013
	<i>EUR 000s</i>	<i>EUR 000s</i>	<i>EUR 000s</i>	<i>EUR 000s</i>
<i>The Netherlands</i>	0	118	0	12
<i>Germany</i>	3,320	4,635	391	270
<i>Scandinavia</i>	653	2,027	3	152
<i>United Kingdom</i>	5,752	4,408	108	57
<i>Spain</i>	837	870	2	3
<i>Other</i>	1,017	938	1	5
Total	11,579	12,996	505	499

Disclosure information according to IFRS 8.34 is not relevant as there is no dependency on major customers.

6. Treasury stock

Acquisition of treasury stock

By shareholders' resolution dated May 14, 2013, the Board of Directors was authorized to repurchase treasury stock of up to 50 percent of the issued capital within the following 18 months.

As of March 31, 2014, ad pepper media International N.V. held 1,759,292 treasury stock (March 31, 2013: 1,759,292) at a nominal value of EUR 0.05 each, corresponding to 7.65 percent (March 31, 2013: 7.65 percent) of the share capital.

According to a shareholders' resolution, these shares can be used for stock option plans or acquisitions.

Sale of treasury stock

No treasury shares were sold during the first three months 2014 (Q1 2013: 0). No shares were sold under the employee stock option plans and no cash settlements amounting for fully vested stock options occurred (Q1 2013: 0).

Number of shares outstanding

The number of shares issued and outstanding as of March 31, 2014 totals 21,240,708 (March 31, 2013: 21,240,708). Each share has a nominal value of EUR 0.05.

7. Seasonal influences on business operations

ad pepper media is engaged in the field of online advertising in the broadest sense. Due to the seasonal character of the advertising industry, with its traditional focus on expenditure in the 4th quarter, revenue and thus operating profit are generally higher in the second half of the year.

8. Stock options and shareholdings

As of March 31, 2014, a total of 1,313,900 stock options exist under stock option plans. The exchange ratio for each of the stock options is one share per option. The exercise prices are in the range of EUR 0.665 to EUR 3.795.

The following table lists the individual holdings and option rights of the Supervisory and Board of Directors (directly and indirectly) as well as employees.

	Shares as of 3.31.2014	Options as of 3.31.2014
Board of Directors		
<i>Dr. Ulrike Handel</i>	0	300,000
<i>Jens Körner</i>	0	210,000
Former Board of Directors		389,500
Supervisory Board		
<i>Michael Oschmann</i>	0	0
<i>Thomas Bauer</i>	0	0
<i>Eun-Kyung Park</i>	0	0
<i>Dr. Stephan Roppel</i>	0	0
Associated companies		
<i>EMA B.V.</i>	9,486,402	0
<i>Euro Serve Media GmbH</i>	436,963	0
Employees		414,400

9. Report on major transactions with related companies and persons

There have been no material changes in transactions with related parties compared with the 2013 financial year.

10. Events after the balance sheet date

Up until the day of authorization for issuance, no events took place which would have exerted substantial influence on the net assets, financial position or result of operations as per March 31, 2014.

Amsterdam/Nuremberg, April 16, 2014

Dr. Ulrike Handel, Jens Körner

Company calendar

All financial and press data relevant for the capital market at a glance:

Finanzkalender

<i>General Meeting of Shareholders' (Amsterdam, The Netherlands)</i>	<i>May 13, 2014</i>
<i>Quarterly report I/2014</i>	<i>May 14, 2014</i>
<i>Quarterly report II/2014</i>	<i>August 13, 2014</i>
<i>Quarterly report III/2014</i>	<i>November 12, 2014</i>

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Dr. Ulrike Handel, CEO
Jens Körner, CFO

We will gladly send you our 2013 Annual Report as well as the interim financial reports for 2014 in German or English. These reports are also published as PDF files at www.adpepper.com under:
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